

Factors Influencing Investor Decisions in Follow-on Public Offerings (FPOs): Evidence from the Nepalese Emerging Capital Market

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Abstract

Purpose - This article examines Nepalese retail investors' FPO subscription factors. This paper uses conventional and behavioral finance to investigate the influence of company specific, behavioral, and market factors on investment decision in follow-on-public offers in the context of Nepal.

Design/methodology/approach - Design in the cross-sectional survey, 395 investors in Nepal with share market expertise were surveyed. Structured questionnaire was used to collect data. Data were analyzed using descriptive statistics, structural equation model, correlation analysis, reliability tests, and multiple regression using SPSS and AMOS-26.

Findings - Market circumstances and behavioral factors positively affect FPO investment choices, but company-specific variables lose relevance in multivariate analysis. Behavioral aspects have the most important impact, demonstrating that investor psychology, peer effect as well as prior experience and fear of losing out strongly affect real subscription choices. Conversely, company-related information only gains relevance at descriptive and bivariate levels; investors nevertheless accept fundamentals.

Conclusion - Results exhibits that FPO investment adoption are primarily directed by behavioral heuristics rather than corporate fundamentals, suggest that investors psychology and social dynamics effectively dominant financial matrices. Subsequently, investor appear less sensible about companies' specific factors, such as financial performance, corporate governance, and growth potentials.

Implication - The study contributes to the literature on Nepal-specific stock follow-on issuance and has practical consequences for offering firms, regulators, advisers, and retail investors.

Originality/value - Absence of substantial empirical evidence, this study provides an exclusive empirical analysis of FPO subscription behavior in context of Nepal by incorporating traditional and behavioral finance.

Keywords - Behavioral factors, Equity investment, Follow-on public offers (FPO), Investment decisions

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1. Introduction

Follow-on public offerings (FPOs), known in much of the international literature as seasoned equity offerings (SEOs) constitute a means for already listed firms to obtain more common stock from outside investors following the initial public offering. They may be used to fund growth, meet regulatory capital thresholds, pay down debt (DeAngelo et al., 2010; Walker & Yost, 2008), encourage liquidity or simply reset ownership structures. FPOs are an important source of finance for firms. It offers additional opportunity to buy companies securities, often under terms and pricing structures that differ from those existing in secondary market trading. Participating, however, is not a simple decision. Investors need to evaluate whether the issue is priced fairly, if the issuing company does well and consider macroeconomic conditions that support the investment (Asquith & Mullins, 1986; Krishnan & He, 2022). Conventional finance describes investors as responding to available information and weighing the expected risk against return. Under that view, firm performance and governance quality, management growth prospects expectations and disclosures related to offer will determine FPO demand (Fama, 1970; Spence, 1978). Research on seasoned equity offerings further shows that valuation, firm quality and beliefs about future performance are related to issue timing as well as how investors respond (Baker & Wurgler, 2002; Dittmar et al., 2020). By the same token, studies of bank and non-bank seasoned offerings report investors responding to issue characteristics, post-issue quality and perceived financial strength (Abdullah & Zaby, 2021; Krishnan & He, 2022).

It should be noted, however, that the conclusion is not fully based on analysis. In times, wind markets are unpredictable, investors often really on anchors or mental shortcuts that are based on the recent experience and social cues, according to the theory of behavioral finance (Mittal, 2022; Thaler, 1985; Tversky & Kahneman, 1974). Note that investors sentiment determined stock price regardless of a weaker firm analytics data input for price or quality attributes related to path dependent results overtime, and this is because of a pre-existing trust and greater confidence in knowledge surrounding experience equity events (Luo et al., 2021; Syukur et al., 2025). Especially in markets that are heavily retail-driven, where most of the participants either have limited time, access to research or undoubtedly vary wildly on terms of financial literacy.

Focusing on the Nepalese context, there are strong retail participation at the market, repeated excitement on primary issues and time-old apprehension about underpricing, information asymmetry and speculative appetite has exacerbated (Gurung, 2020; Paudel, 2023). Existing evidence based in Nepal indicates that herding, source of information and behavioral biases are variables associated with individual investor behavior as opposed to fundamental analysis per se. (Adhikari & Pradhan, 2024; Giri & Adhikari, 2023; Thapa, 2024). Similarly, Giri and Gurung (2025) established behavioral explanations of market inefficiency in the context of Nepalese stock exchanges by providing even newer evidence for herding behavior from uptrends and downtrends.

In this context, however, research elsewhere on FPO decisions is still limited in Nepal, most of the existing studies are either about IPO underpricing or investor behavior in general. This study addresses that gap by converting a dissertation-style study into a journal article, with evidence stated more clearly in an empirical format. The article puts forward a simple question, is the decision by Nepali retail investors to invest in an FPO determined dominantly by company-specific information, market conditions or behavioral forces?

The study makes three contributions. First, it uses primary survey data of investors with market experience in Nepal to provide evidence on FPO decision making. Second, it incorporates idiosyncratic, market and behavioral elements into a single model in which each element interacts with the other instead of analyzing them independently. Third, it illustrates that those multiple factors investors report as being important to them are not always the same ones that statistically predict their ultimate choice. Thus, his study aims to investigate the effect of company specific, behavioral, and market factors on investment choices in follow-on-public offers in among the Nepalese investors actively patriating in capital market.

2. Literature Review and Hypotheses Development

Traditional and behavioral theories can explain investment decisions in case of FPOs. All the theories, namely EMH; signaling theory; agency and pecking order theory point to the conclusion that investors measure quality of firms with public information available for assessment, firm's governance mechanism at play as well motives behind financing decisions before zealously act on incentives given by firm management. Conversely, market timing (Fama, 1970), prospect theory (Myers & Majluf, 1984) and herding theory indicate

that factors such as past experience of the investor about returns relative to FPOs or fear of loss and crowd behavior would also affect participation decision in treatment-FPO. Chaulagain et al. (2025) identified that financial behavior, driven by financial knowledge and attitude, significantly impacts investors' saving habits and investment behavior. Furthermore, financial behavior plays the key role of mediator between predictors and financial satisfaction, suggesting that Nepalese investors are conscious about the financial products and their implications for investment.

Company Specific Factors and Investment Decisions

Micro factors unique to a firm – governance, disclosure quality and reputation have an important role in shaping investor confidence as well as perception. Investors use public disclosures as signals of firm value and risk, and previous studies exploring seasoned equity offerings highlight that when a company is specific about how it will deploy the advanced capital raised after an offering investor response to such announcements tends to be more positive. When it comes to asset quality and the wider issue environment, perceptions of bank equity offerings are associated with values (Krishnan & He, 2022). Moreover, Yu (2023) indirectly associates investment inefficiency with negative impacts while drawing a positive associative link between governance quality and investor trust as well as capital allocation. Moreover, existing literature points out that announcements of equity issues usually generate adverse market reactions as they signal investors about concerns on dilution and valuation. This highlights firm-specific factors that drive investor decisions on future placement offerings (FPO) including pricing and purpose signaling to align the intended FPO with investors' expectations. Based on these information, it is hypothesized that;

Hypothesis (H₁): Company-specific factors significantly impact on FPO investment decisions.

Market Conditions and Investment Decisions

FPO decisions take place in the larger market context. New issues become easier to sell when general market sentiment is good, sector performance is improving and investors are positioned for a positive return. According to market timing theory, positive conditions and supportive valuations lead firms to issue equity (Baker & Wurgler, 2002). That very environment can increase a willingness to participate amongst investors as well, simply because the expected resale opportunity looks better.

There is now a sizeable body of empirical literature showing that both uncertainty and conditions in the policy environment play an important role in informing investments. Wang et al. (2014) find negative effects of higher economic policy uncertainty on corporate investment in China. Jiang et al. (2024) economic uncertainty predicts stock returns and is more relevant amongst high sentiment and high uncertainty as well. Therefore, not only are these findings statistically significant, but the consequences of them being economically enormous, financial indicators, market environment is not, in fact, background noise. The parameters of the market climate have an impact on the way investors think allow to either opportunity or risks. Together, these studies suggest that market signals may heavily influence investor choices in equity issues, including FPOs. Market conditions in the present study include stock trends, economic outlook, sector performance, investor sentiment, geopolitical developments, and regulatory change. Based on theory and prior evidence, the second hypothesis was stated as follows:

Hypothesis (H₂): Market-condition factors significantly impact on FPO investment decisions

Behavioral Factors and Investment Decisions

Behavioral finance provides a different perspective rather than assuming that processing information is completely rational. It contends that investors use heuristics and engages with emotional reactions, social pressure or recent experience. Prospect theory posits that losses and gains are assessed relative to some reference point, with loss aversion dictating that the pain associated with a loss is greater than the pleasure derived from an equivalent gain (Tversky & Kahneman, 1974). According to the principles of mental accounting, individuals would assign funds and opportunities into different categories in their minds rather than evaluating one portfolio as a whole (Thaler, 1985). Herding theory further states that investors may do so simply by imitating others, rather than analyzing the information independently (Banerjee, 1992).

Recent study has shown that these characteristics are what are most essential when it comes to making decision about finances. Overconfidence, anchoring as well as loss aversion and herd behavior persistently influence investment decisions according to the behavioral-bias literature (Mittal, 2022). Luo et al. (2021) found investor sentiment pricing factor around season equity offering in China. It has been stated by Syukur et al. (2025) that heading behavior contributes to favorably improving investment choice over the course of generation,

However, the intensity of this contribution varies depending on the cohort and the age of the individual. Foundation of Entrepreneurship research by Vamvaka et al. (2020) showed how risk perception and attitude significantly affect financial investment in tension, re-emphasizing the role psychological process play when it comes to participation decisions. This is highly relevant for FPOs since retail investor typically apply in a fairly small window of time and looking at peer recommendation, previous allotment experience, or fear of missing out (FOMO), having an emotionally charged response to the market be it positive or negative. Based on reviewed the estimated relationship was suggested as follows:

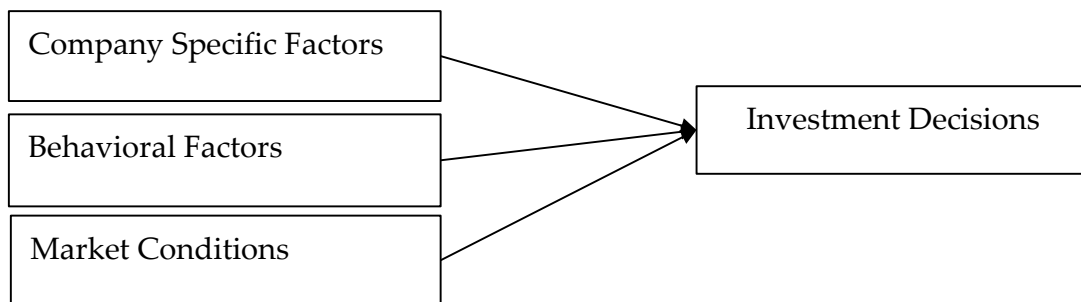
Hypothesis (H₃): Behavioral factors significantly impact on FPO investment decisions

Conceptual Framework

Based on the literature, the study trades investment decisions as the dependent variable and company specific factor market condition factors, and behavioral as independent variables. Company-specific information captures what investors can learn about the issuer itself. Market conditions capture the environment in which the issue is offered. Behavioral factors capture how investors interpret, filter, or sometimes distort information in practice.

Figure 1

Conceptual Framework



Note: Adapted from Shaddady and Alsaggaf (2020); Lin et al. (2024).

3. Methods

Research Design

This was a cross-sectional descriptive and analytical survey study. It was targeted at those with some experience of the share market, and who would therefore be able to respond meaningfully about decisions they made relating to FPOs. The study area was Nepal, which still is the most vibrant hub of financial-market activity in Nepal. Because this study aimed to measure perceptions, attitudes and self-reported decision patterns in a fairly large group of investors, we chose a survey design.

Population and Sample

The target population for the study was Nepali people investing in the share market in Nepal. Applying Cochran's sample-size logic for big populations, we estimated the minimum advisable to reach should be 384 respondents. For this study, we used 395 responses out of 455 questionnaires distributed. The study adopted purposive convenience sampling as the objective of this research required respondents who have knowledge about investment behavior regarding FPOs.

Data Collection Procedure

The questionnaire comprised two broad parts. The first part collected demographics, such as the category they fall into (over 18 to just under 34 years old) or other factors like education level, monthly income range and occupation that is a novice investor versus one who invests on more of an active/portfolio basis with long-term gains in mind. Then in the second part of a questionnaire Likert-type individual items was grouped to form each composite related with four constructs; namely company-specific factors, market-condition factor, behavior and investment decision. All items were rated on five-point scales. The instrument was derived from the original study and adapted by prior literature.

Five items measured market conditions: stock trends, economic outlook, sector performance; geopolitical or political development; and regulatory change. Seven items were used to measure behavioral factors (herd behavior, fear of missing out on a deal (FOMO), overconfidence and past experience with emotional or personal influence). Financial Place Orientation Investment Decision was captured with three items that provided clarity on perceived risk and the perceived return orientation in FPO investment. A pilot test with the 40 investors having good FPO investment experiences was carried out prior to a full survey. All of these participants were screened out from the final sample. During a pilot, we worked on phrasing and to ensure that items can be understood. The final instrument demonstrated acceptable to good internal consistency across the full data set with Cronbach's alpha values far above the widely accepted threshold of 0.70 (Cronbach, 1951).

Data Analysis Techniques

SPSS and AMOS were used to run the analysis on the data. The analysis was conducted in four steps: First, summary statistics of respondents profiles were calculated with mean value of each construct. Second, internal consistency was assessed using reliability analysis using Cronbach's alpha. Third, Pearson correlations assessed bivariate relations among main variable variables. Fourth, Confirmatory Factor Analysis (CFA) was performed using AMOS to test the nomological validity, specially to assessing factor loadings, composite reliability (CR), average variance extracted (AVE), and discriminant validity. Once the measurement model was established, SEM was used to analyze investment decision in terms of relative effects from company-specific factors, market condition factors and behavioral factor. The model fit was assessed with CMIN/DF, CFI (Comparative Fit Index), SRMR and RMSEA including P-Close.

4. Results

Demographic Characteristics

Table 1

Respondents Profile

Category	Group	Frequency	Percent
Age	18–25	180	45.6
	26–35	163	41.3
	36–45	42	10.6
	45 and above	10	2.5
Education	Up to +2	178	45.1
	Bachelor's	155	39.2
	Master's and above	62	15.7
Monthly income	Below NPR 30,000	197	49.9
	NPR 30,000–50,000	118	29.9
	Above NPR 50,000	80	20.3
Occupation	Private sector	246	62.3
	Government sector	46	11.6
	Self-employed	103	26.1
Investment experience	Beginner (<1 year)	217	54.9
	Intermediate (1–5 years)	134	33.9
	Advanced (>5 years)	44	11.1
Investment objective	Long-term growth	204	51.6
	Short-term growth	108	27.3
	Diversification	33	8.4
	Regular income	50	12.7

The profile of a typical respondent reflects a relatively young investor base, with investors in earlier stages. 45.6% of the respondents were between 18-25 years old and another 41.3% were aged from 26–35-year-old individuals. A common level of education for respondents was +2 (45.1%) and bachelor's degree (39.2%).

Similarly, fifty percent (49.9%) of those employed stated that their monthly income comes to less than NPR 30,000 and a two-thirds majority were found in private-sector employment as an occupation group (62.3%). So the experience split was also heavily weighted towards lower: 54.9%, were beginner investor with under a year on that journey, and just 11.1% had remaining more than five years in sport — an area we later went onto find immense spike correlations to skill quality achievement success too. The largest investment objective was long-term growth (51.6%) followed by short term goal at 27.3%. These descriptive patterns are telling as it alludes the fact that a typical respondent in this study on average was young, educated but not fully developed from market perspective.

Table 2
Descriptive Statistics

Code	Items	Mean	S.D.
Company-specific factors			
CSF1	The importance of the company's financial performance in FPO investment	3.23	1.254
CSF2	How significant is the management's credibility and corporate governance in influencing your decision	3.17	1.172
CSF3	How important is the company's track record (e.g., past success in fundraising and utilization) in your decision to participate in an FPO?	3.23	1.267
CSF4	To what extent does the company's industry reputation and market position impact your investment decision?	3.20	1.240
CSF5	How much do the company's growth potential and future (e.g., expansions, acquisitions) influence your decision?	3.15	1.209
	Overall Average	3.197	0.977
Market condition factors			
MAC1	To what extent do market conditions (e.g., stock trends, economic outlook) impact your decision to invest in an FPO?	3.34	1.14
MAC2	How important is the sector's performance or industry trends in your investment decision?	3.36	1.18
MAC3	To what extent do geopolitical events (e.g., political stability, global conflicts) affect your decision to participate in an FPO?	3.29	1.17
MAC4	How significant is the sector's performance and market sentiment (e.g., sector-specific growth, investor confidence) in your FPO investment decision?	3.29	1.20
MAC5	Rate the influence of recent regulatory changes or government policies on your decision to invest in an FPO:	3.31	1.10
	Overall Average	3.321	0.9027
Behavioral factors			
BEF1	How much does herd behavior affect your investment decision?	3.07	1.15
BEF2	Do you experience a fear of missing out when considering an FPO investment?	3.07	1.18
BEF3	To what extent does peer influence impact your decision to invest in an FPO?	3.17	1.08
BEF4	The fear of losing a potential profit opportunity is a primary driver in my FPO subscription decision.	3.09	1.14
BEF5	To what extent does overconfidence in your investment knowledge affect your decision-making?	3.18	1.14
BEF6	How much does past investment success or failure influence your current decision to invest in an FPO?	3.20	1.15
BEF7	Rate the impact of emotional factors (e.g., excitement, anxiety) on your investment decisions for FPOs.	3.08	1.16
	Overall Average	3.1248	0.852
Investment decision			
IND1	Do you conclude that individual invested have more risk in FPO investment?	2.97	1.04
IND2	Do you conclude that combined invested have more risk in FPO investment?	3.07	1.07
IND3	Do you conclude that FPOs are guaranteed way of making money?	3.22	1.10
	Overall Average	3.0852	0.91844

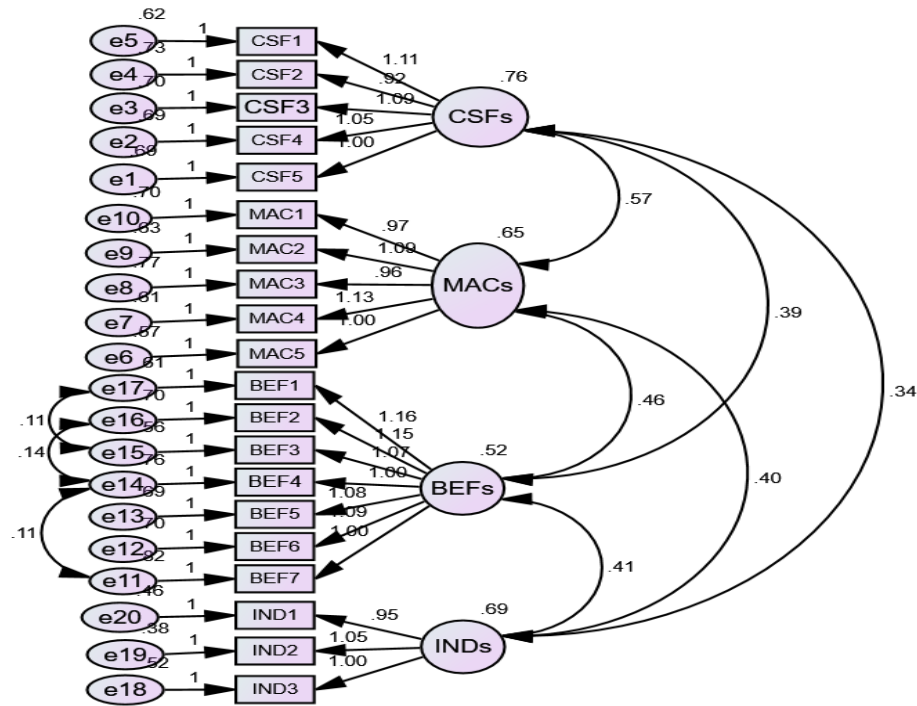
Descriptive statistics of the study variables (company-specific factors, market condition factor, behavioral factors and investment decision) are shown in Table 2. The mean values suggest that all constructs were considered of moderate to higher importance in influencing FPO investment. The survey identified four constructs, with market condition factors having the highest overall mean score ($M = 3.321$, $SD = 0.903$), indicative of strong influence regarding external issues such as stock trends and sector performance or regulatory changes. Next came company-specific factors ($M = 3.197$, $SD = 0.977$), behavioral factor ($M = 3.125$; $SD = 0.852$) and investment decision ($M = 3.085$, $SD = 0.918$). Individual item-level scores indicated that MAC2 ($M = 3.36$) was the highest mean, suggesting sectors or industry trends are important while IND1 ($M = 2.97$), had a relatively low level of agreement. Standard deviation values over items varied from 1.04 to 1.27, which indicates a moderate level of variation in respondents' views (in other words, that each item did not capture the exact same idea as every other one). In conclusion, the results indicated that market characteristics were most influential in determining investors' FPO decisions, and behavioral factors were second behind company-specific factors.

Table 3
Convergent Validity and Reliability

Items	Factor loadings	Cronbach alpha	AVE	CR
Company-specific factors		.855	.542	.855
CSF1	.778			
CSF2	.685			
CSF3	.750			
CSF4	.741			
CSF5	.724			
Market condition factors		.838	.511	.839
MAC1	.681			
MAC2	.740			
MAC3	.660			
MAC4	.758			
MAC5	.730			
Behavioral factors		.867	.484	.868
BEF1	.745			
BEF2	.719			
BEF3	.741			
BEF4	.669			
BEF5	.682			
BEF6	.674			
BEF7	.636			
Investment decision		.820	.604	.820
IND1	.760			
IND2	.814			
IND3	.756			

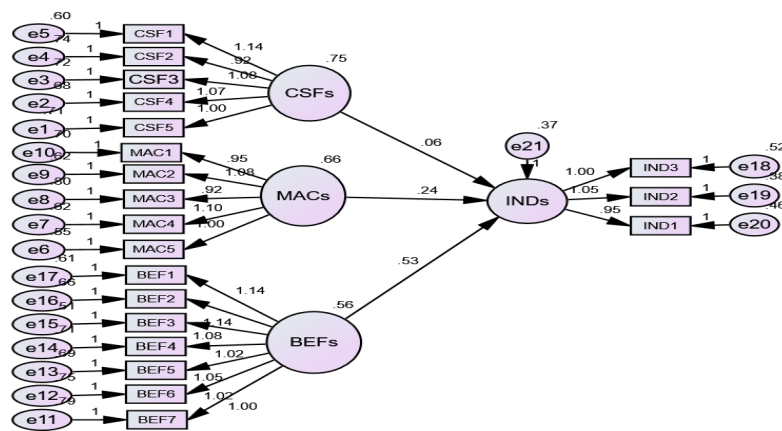
The result shows that all constructs have acceptable internal consistency as Cronbach alpha and composite reliability values are above the recommended threshold of 0.70. Company specific factors, market condition factors, and investment decision also satisfy convergent validity because their AVE values are above 0.50. However, the AVE value of rehabilitation is 0.484 which is slightly below the recommended 0.50 threshold, indicating marginal convergent validity for this construct despite acceptable reliability.

Figure 2
Confirmatory Factor Analysis (CFA) Measurement Model of the Study Constructs



The CFA measurement model of this study is shown in figure 2. This model features four latent constructs, company-specific factors, market condition factor(s), behavioral factor and the measurement of investment decision itself with respective variance measurements in terms of multiple observed indicators. The rectangles are the observed variables, circles are latent constructs and error terms indicate variance in each item that is not explained by either unclear instructions or mis-fitting. The factor loadings demonstrate the strength of associations between each construct and its indicators, whereas covariance paths represents correlations among latent factors. The figure indicates theoretical clustering of items under their respective constructs, giving visual evidence for the appropriateness of a measurement model.

Figure 3
Structural Model of the Study Variables.



The structural equation model of the study is illustrated as shown in Figure 2. SEM is broadly applied for theory testing between latent constructs that consist of the measurement and structural model with a path diagram providing standardized estimates (Bentler & Stein, 1992). Behavioral factors positive with highest weight input in investment decision ($\beta = .53$) and then market condition factors ($\beta = .24$). Company-specific

factors, on the other hand, present no significant new effect ($\beta = .06$). These results imply that investors' decisions related to FPOs are driven less by firm-level characteristics than psychological and market-related factors. On the whole, the structural model provides visual and statistical evidence of hypothesized relations in connection with structured models proposed for this study. However, since SEM is used here with cross-sectional and non-experimental data, we must interpret the results as associations rather than definitive causation (Bentler & Stein, 1992).

Table 4
Model Fit Indices of Structural Model

Measure	Estimate	Threshold	Interpretation
CMIN	248.081	--	--
DF	164	--	--
CMIN/DF	1.513	Between 1 and 3	Excellent
CFI	0.977	> 0.95	Excellent
SRMR	0.037	< 0.08	Excellent
RMSEA	0.036	< 0.06	Excellent
P-Close	0.996	> 0.05	Excellent

The CFA model fitted the data well. The chi-square to degrees of freedom ratio (CMIN/DF=1.513) was in the acceptable range from 1-3. Similarly, CFI (.977), SRMR (.037), RMSEA (.036), and P-Close. All threshold values obtained from the item measure model ($p < 0.996$) were within accepted limits, suggesting that its overall fit was very good; based on the Hu and Bentler (1999) cutoff criteria.

Table 5
Discriminate Validity of Measurement Model (Fornell-Larcker Criterion)

BEFs	CSFs	INDs	MACs
0.687			
0.617	0.736		
0.675	0.475	0.777	
0.789	0.814	0.602	0.715

Discriminant validity is provided in Table 5 using Fornell–Larcker criterion. This means the root square to AVE is presented on the diagonal, while off-diagonal elements report correlations between constructs; discriminant validity holds when each of diagonal values surpass correspondence inter-construct correlation. While this methodology is certainly well-established, some recent methodological work advocated combining it with HTMT for a more accurate evaluation of the discriminant validity (Fornell & Larcker, 1981; Henseler et al., 2015).

Table 6
Heterotrait-Monotrait Ratio (HTMT) of the Construct.

Constructs	BEFs	CSFs	INDs	MACs
BEFs	--			
CSFs	0.615	--		
INDs	0.667	0.478	--	
MACs	0.778	0.820	0.600	--

HTMT ratios are shown on table 6, these HTMT values were computed to check the discriminant validity. Since all HTMT values are less than 0.85, discriminatory validity is achieved for each of the constructs (Henseler et al., 2015). The same goes for the relationship between company-specific factors and market condition factors, which is relatively high (HTMT = 0.820), but still within acceptable threshold values. As such, the constructs are conceptually different from one another (Henseler et al., 2015).

Table 7
Structural Path Analysis and Hypothesis Testing Result

Hypothesis	Path		Outcome	Estimate	S.E.	p-value	Decision
H1	CSF	⊙	IND	0.060	0.047	0.201	Not Supported
H2	MAC	⊙	IND	0.243	0.053	***	Accepted
H3	BEF	⊙	IND	0.529	0.068	***	Accepted

Note. CSF= Company specific factor; MAC= Market Condition factors; BEF= Behavioral factors; IND=Investment decisions.

The structural path results for the three hypotheses that we proposed are shown in Table 7. Table 2 presents the path coefficients, standard errors, p-value and concluding decision for each hypothesis. Based on the output above, CSF has no significant effect in IND with a path coefficient ($\beta = 0.060$), and p value = 0.201 is $> \alpha$ instead of being negative; which means that company-specific factors have no direct impact to investment decision. Therefore, H1 is not supported. On the other hand, market condition factors (MAC) influence investment decision significantly and positively with path coefficient 0.243 where H2 is accepted in the same vein, with path coefficient ($\beta = 0.529$), to put it another way behavioral factor has positive effect on investment decision describing that H3 also accepted here as well. The results show that behavioral factors are the most statistically significant predictor of investment decisions, followed by market condition factors and finally company-specific factor not being significantly explained.

5. Discussion

The results revealed that behavioral factors exerted the most positive impact on investment decision, and the market condition factors positively impacted as well but not significantly, while company-specific components did not apply a statistically significance influence. The data thus imply that observation about the Kathmandu Valley investors is more psychological and market signal driven than firm-level fundamental base-oriented when subscribing to FPOs. In line with studies in behavioral finance emphasizing herding, overconfidence and emotional bias among investors (Antony & Joseph, 2017; Barberis & Thaler, 2003; Giri & Adhikari, 2023), strong role of psychological factors emerged. In similar fashion, the positive impact of market condition factors supports research that claims macroeconomic conditions are one way to influence investment behavior (Hatch et al., 2018; Nguyen et al., 2024) as well as investor sentiment these terms cause changes in consumer investments. Nonetheless, the minimally significant company-level determinants contradict previous works stating that most firms' fundamentals determine investor decisions (Mojgan & Ali, 2011; Shrestha, 2020). In general, results suggest that beyond initial firm performance and valuation signals, FPO investment decisions in Nepal are based not on fundamentals but sentiment a context of market.

6. Conclusion

This study aimed to ascertain the various factors that motivate investors on their decision for FPOs Subscription in Nepal. The findings show that behavioral factors had its the highest positive effect on investment decision; whereas market condition factor was second most vital followed by company specific variables who made statistically not significant contribution. These results suggest that investors in Nepal are motivated more by investor sentiment and other market signals, beyond merely negative firm-level fundamentals when it comes to investing into FPO. Furthermore, study result indicates that Nepalese retail investors are more sensible about the capital market condition, related industry trend, geopolitical events, and influences of regulatory changes. Additionally, result shows that the perception of peer, fear of missing investment value, knowledge from past investment as well as emotional factors such as excitement or anxiety influences on investing decision on FPO. However, according to study findings, that the investors seem to less conscious about firm's internal factors such as importance of financial performance, management credibility and corporate governance, and companies past financial record and growth propensity.

7. Implications

The study expands the body of knowledge regarding follow-on offerings in Nepal's distinct capital market context. The findings offer valuable significances for offering firms, securities regulators, financial advisers, academicians and prospective retail investors. Especially, the findings suggest that regulators would

conduct financial campaigns to raise investors awareness about future consequences in the capital market. For issuers, the result highlight the significance of transparently communicating of firm's financial health to alleviate the irrational market reaction, particularly through the book-building process. Similarly, it entails strong foundation for future researchers to test the connection between investors psychology and digital transformation in developing frontier market.

8. Limitations and Directions for the Future Research

Further studies with a larger and more varied sample across Nepal can enhance generalizability. They could also help in longitudinal designs as a way to capture temporal changes in behavior of the investor. Besides, further studies may include variables like financial literacy, risk tolerance and trade behavior in digital platform to enhance understanding regarding the FPO investments decisions. Similarly, future research might analyze the mediation impact of social media influencers, investment forum discussion, and artificial intelligence (AI) driven tools to assess how algorithms moderate investors herd behavior and confidence.

Conflict of Interest

Authors of the studies declare there is no conflict of interest while preparing this article.

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